

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6227**

**BILL NUMBER: SB 77**

**NOTE PREPARED:** Nov 13, 2003

**BILL AMENDED:**

**SUBJECT:** Volunteer Firefighter Income Tax Deduction.

**FIRST AUTHOR:** Sen. Craycraft

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** The bill provides an Adjusted Gross Income (AGI) deduction of \$2,000 to active volunteer firefighters.

**Effective Date:** January 1, 2004 (retroactive).

**Explanation of State Expenditures:** The Department of State Revenue (DOR) would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate this deduction. These expenses presumably could be absorbed given the DOR's existing budget and resources.

**Explanation of State Revenues:** The bill would reduce state Adjusted Gross Income (AGI) Tax liabilities of individual taxpayers who are active volunteer firefighters in Indiana. The revenue loss due to this bill could potentially total \$1.16 M to \$1.5 M annually beginning in FY 2005.

*Background:* The bill creates an AGI Tax deduction for individual taxpayers who are active volunteer firefighters in Indiana for at least 6 months during the taxable year. The deduction is equal to \$2,000 each taxable year and would reduce the annual income tax liability of an active volunteer firefighter by \$68. It is estimated that there are between 17,000 and 22,000 active volunteer firefighters in Indiana. Thus, the deduction could lead to an annual revenue loss ranging from \$1.16 M to \$1.5 M, provided the deduction is claimed by each active volunteer firefighter. Since the deduction is effective beginning in tax year 2004, the fiscal impact would begin in FY 2005. Eighty-six percent of the revenue from the AGI Tax on individuals is deposited in the state General Fund, and 14% of this revenue is deposited in the Property Tax Replacement Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Because the proposed deduction would serve to decrease taxable income, counties imposing local option income taxes (CAGIT, COIT, and/or CEDIT) may, as a result, experience an indeterminable decrease in revenue from these taxes.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** Counties with a local option income tax.

**Information Sources:** Jack Kerney, Vice-President, Indiana Volunteer Firefighters Association, (877) 606-4832.

**Fiscal Analyst:** Jim Landers, 317-232-9869.